

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
YUCCA VALLEY
FIRE PROTECTION DISTRICT**

REPORT ON AUDIT

JUNE 30, 2006

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
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Board of Supervisors
County of San Bernardino
Yucca Valley Fire Protection District

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District Yucca Valley Fire Protection District (District), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District Yucca Valley Fire Protection District, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The budgetary comparison information on page 23 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The County of San Bernardino Special District Yucca Valley Fire Protection District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Rogers. Anderson. Malody + Scott, LLP

September 15, 2006

County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,496	\$ 91,974	\$ 114,470
Accounts receivable, net	-	191,970	191,970
Interest receivable	-	961	961
Taxes receivable	245,035	-	245,035
Due from other governments	200,193	-	200,193
Capital assets, net of depreciation	225,058	104,664	329,722
	<hr/>	<hr/>	<hr/>
Total Assets	692,782	389,569	1,082,351
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Salaries and benefits payable	9,367	-	9,367
Due to other governments	27,735	98,113	125,848
Compensated absences payable	13,379	-	13,379
	<hr/>	<hr/>	<hr/>
Total Liabilities	50,481	98,113	148,594
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Invested in capital assets	225,058	104,664	329,722
Unrestricted	417,243	186,792	604,035
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 642,301	\$ 291,456	\$ 933,757
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Statement of Activities
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Salaries and benefits	\$ 3,555,260	\$ 45,451	\$ 3,600,711
Services and supplies	708,807	196,746	905,553
Contribution to other governments	143,358	-	143,358
Depreciation	199,195	29,260	228,455
Professional fees	-	54,992	54,992
Total Program Expenses	<u>4,606,620</u>	<u>326,449</u>	<u>4,933,069</u>
PROGRAM REVENUES			
Charges for services	36,544	913,236	949,780
Total Program (Expense) Revenue	<u>(4,570,076)</u>	<u>586,787</u>	<u>(3,983,289)</u>
GENERAL REVENUES			
Property taxes	3,163,194	-	3,163,194
Other taxes	239,410	-	239,410
State assistance	51,387	-	51,387
Federal assistance	13,992	-	13,992
Interest	101	4,743	4,844
Gain on sale of capital assets	1,015	2,200	3,215
Contributions from other governments	25,125	-	25,125
Intergovernmental	454,855	(39,999)	414,856
Other	48,532	771	49,303
TRANSFERS - INTERNAL ACTIVITIES	<u>647,713</u>	<u>(647,713)</u>	<u>-</u>
Total General Revenues and Transfers	<u>4,645,324</u>	<u>(679,998)</u>	<u>3,965,326</u>
Change in Net Assets	75,248	(93,211)	(17,963)
Net Assets - beginning	<u>567,053</u>	<u>384,667</u>	<u>951,720</u>
Net Assets - ending	<u><u>\$ 642,301</u></u>	<u><u>\$ 291,456</u></u>	<u><u>\$ 933,757</u></u>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Balance Sheet
Governmental Funds
June 30, 2006

	SPECIAL REVENUE FUND <u>General (SRS)</u>	OTHER GOVERNMENTAL FUND <u>Station Remodel (CKA)</u>	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 18,314	\$ 4,182	\$ 22,496
Taxes receivable	245,035	-	245,035
Due from other funds	200,370	-	200,370
	<u>\$ 463,719</u>	<u>\$ 4,182</u>	<u>\$ 467,901</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and benefits payable	\$ 9,367	\$ -	\$ 9,367
Due to other funds	177	-	177
Due to other governments	27,735	-	27,735
Total Liabilities	<u>37,279</u>	<u>-</u>	<u>37,279</u>
Fund Balances:			
Reserved for:			
Encumbrances	28,568	-	28,568
Imprest cash	500	-	500
Unreserved:			
Undesignated	397,372	4,182	401,554
Total Fund Balances	<u>426,440</u>	<u>4,182</u>	<u>430,622</u>
Total Liabilities and Fund Balances	<u>\$ 463,719</u>	<u>\$ 4,182</u>	
Amounts reported for <i>governmental activities</i> in the statement of net assets (Exhibit A) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			225,058
Compensated absences payables are not financial resources, and therefore, are not reported in the funds.			<u>(13,379)</u>
Net Assets of Governmental Activities			<u>\$ 642,301</u>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUND	Total
	General (SRS)	Station Remodel (CKA)	Governmental Funds
REVENUES			
Property taxes	\$ 3,163,194	\$ -	\$ 3,163,194
Other taxes	239,410	-	239,410
State assistance	51,387	-	51,387
Federal assistance	13,992	-	13,992
Investment earnings	-	101	101
Service fees	36,544	-	36,544
Other	48,532	-	48,532
Total Revenues	<u>3,553,059</u>	<u>101</u>	<u>3,553,160</u>
EXPENDITURES			
Salaries and benefits	3,553,964	-	3,553,964
Services and supplies	708,807	-	708,807
Capital outlay:			
Vehicles	76,633	-	76,633
Total Expenditures	<u>4,339,404</u>	<u>-</u>	<u>4,339,404</u>
Excess of Revenues Over (Under)			
Expenditures	<u>(786,345)</u>	<u>101</u>	<u>(786,244)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	1,015	-	1,015
Transfer in	1,102,568	-	1,102,568
Transfer out	(143,358)	-	(143,358)
Total Other Financing Sources (Uses)	<u>960,225</u>	<u>-</u>	<u>960,225</u>
Net Change in Fund Balances	173,880	101	173,981
Fund Balances - beginning	<u>252,560</u>	<u>4,081</u>	<u>256,641</u>
Fund Balances - ending	<u>\$ 426,440</u>	<u>\$ 4,182</u>	<u>\$ 430,622</u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 173,981
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$199,195) exceeded capital outlay (\$76,633) in the current period.	(122,562)
Capital assets transferred from other governments are not financial resources and, therefore, are not reported in the governmental funds.	25,125
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in compensated absences payable	<u>(1,296)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 75,248</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Statement of Net Assets
Proprietary Fund
June 30, 2006**

	Enterprise Fund
	Ambulance (EGP)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 91,974
Accounts receivable, net	191,970
Interest receivable	961
	<hr/>
Total Current Assets	284,905
	<hr/>
Noncurrent assets:	
Capital assets:	
Equipment	62,522
Vehicles	198,765
Accumulated depreciation	(156,623)
	<hr/>
Total Noncurrent Assets	104,664
	<hr/>
Total Assets	389,569
	<hr/>
LIABILITIES	
Due to other funds	98,113
	<hr/>
Total Liabilities	98,113
	<hr/>
NET ASSETS	
Invested in capital assets	104,664
Unrestricted	186,792
	<hr/>
Total Net Assets	\$ 291,456
	<hr/>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Enterprise Fund
	Ambulance (EGP)
OPERATING REVENUE	
Service fees	\$ 913,236
Total Operating Revenue	913,236
OPERATING EXPENSES	
Professional services	54,992
Salaries and benefits	45,451
Services and supplies	196,746
Depreciation	29,260
Total Operating Expenses	326,449
Operating Income	586,787
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	4,743
Gain/loss sale of fixed assets	2,200
Intergovernmental	(39,999)
Other	771
Total Nonoperating Revenues (Expenses)	(32,285)
Income Before Transfers	554,502
TRANSFERS OUT	(647,713)
Change in Net Assets	(93,211)
Total Net Assets - beginning	384,667
Total Net Assets - ending	\$ 291,456

The accompanying notes are an integral part of these financial statements

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006**

	<u>Enterprise Fund</u>
	<u>Ambulance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 925,182
Payments to suppliers	(232,439)
Payments to employees	<u>(45,451)</u>
Net Cash Provided By Operating Activities	<u>647,292</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(647,713)
Intergovernmental	<u>(39,999)</u>
Net Cash Used For Noncapital Financing Activities	<u>(687,712)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the sale of capital assets	2,200
Other income	<u>771</u>
Net Cash Provided By Capital and Related Financing Activities	<u>2,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>4,457</u>
Net decrease in cash and cash equivalents	(32,992)
Cash and Cash Equivalents - beginning of the year	<u>124,966</u>
Cash and Cash Equivalents - end of the year	<u><u>\$ 91,974</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 586,787
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	29,260
Change in assets and liabilities:	
Decrease in accounts receivable, net	11,946
Increase in due to other funds	26,299
Decrease in due to other governments	<u>(7,000)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 647,292</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Yucca Valley Fire Protection District (District) was established by an act of the Board of Supervisors of the County (Board) on July 1951, to provide fire inspection, suppression, protection, first aid, and rescue services to the community of Yucca Valley.

The District is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the Yucca Valley Fire Protection District of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the District meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the District's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2006.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the District does not have any fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *special revenue fund* labeled "General" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Ambulance" accounts for the activities of the District, a blended component unit of the County. The District operates the ambulance transportation services under the administration of the County Fire Department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District enterprise fund is charges to customers for ambulance transportation services. Operating expenses for enterprise funds include the cost of salaries and benefits, service and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts receivable are shown net of an allowance for uncollectibles when applicable. The accounts receivable balance of the Ambulance Enterprise Fund at June 30, 2006 is net of an allowance for doubtful accounts of \$712,869.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Employee compensated absences

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a current liability. The District is not obligated to pay for unused sick leave if an employee terminates or retires.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences activity for the year ended June 30, 2006 was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>\$ 12,083</u>	<u>\$ 7,259</u>	<u>\$ 5,963</u>	<u>\$ 13,379</u>

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the District prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for fixed assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2006.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

NOTE 3: RECEIVABLES

At June 30, 2006, the receivables were composed of the following:

	General	Ambulance	Nonmajor and Other Funds	Total
Accounts	\$ -	\$ 904,839	\$ -	\$ 904,839
Less: allowance for uncollectibles	<u>-</u>	<u>(712,869)</u>	<u>-</u>	<u>(712,869)</u>
Net Total Accounts Receivables	<u>\$ -</u>	<u>\$ 191,970</u>	<u>\$ -</u>	<u>\$ 191,970</u>

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 4: CAPITAL ASSETS

Capital asset activity for year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,271	\$ -	\$ -	\$ 8,271
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	8,271	-	-	8,271
Capital assets, being depreciated:				
Land improvements	8,359	-	-	8,359
Structures and improvements	222,880	-	-	222,880
Vehicles	1,308,568	216,130	(25,923)	1,498,775
Equipment	62,581	28,016	-	90,597
Total capital assets, being depreciated	1,602,388	244,146	(25,923)	1,820,611
Less accumulated depreciation for:				
Land improvements	(4,841)	(209)	-	(5,050)
Structures and improvements	(24,085)	(4,953)	-	(29,038)
Vehicles	(1,214,822)	(325,007)	25,923	(1,513,906)
Equipment	(44,416)	(11,414)	-	(55,830)
Total accumulated depreciation	(1,288,164)	(341,583) *	25,923	(1,603,824)
Total capital assets, being depreciated, net	314,224	(97,437)	-	216,787
Governmental activities capital assets, net	<u>\$ 322,495</u>	<u>\$ (97,437)</u>	<u>\$ -</u>	<u>\$ 225,058</u>

* This amount includes current year depreciation expense of \$199,195 and \$142,388 for accumulated depreciation as of 06/30/06 for vehicles and equipment with a cost of \$167,513 transferred to the District in the current year.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 4: CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Vehicles	\$ 259,630	\$ -	\$ (60,865)	\$ 198,765
Equipment	62,522	-	-	62,522
Total capital assets, being depreciated	322,152	-	(60,865)	261,287
Less accumulated depreciation for:				
Vehicles	(171,035)	(23,008)	60,865	(133,178)
Equipment	(17,193)	(6,252)	-	(23,445)
Total accumulated depreciation	(188,228)	(29,260)	60,865	(156,623)
Business-type activities capital assets, net	<u>\$ 133,924</u>	<u>\$ (29,260)</u>	<u>\$ -</u>	<u>\$ 104,664</u>

NOTE 5: RETIREMENT PLAN

Plan description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (the MDAQMD) and the South Coast Air Quality Management District (the AQMD), were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Fiduciary responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2006.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 5: RETIREMENT PLAN (continued)

Funding policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	172,563
Annual Contributions Made	166,614
Increase/(Decrease) in Pension Assets	(5,949)
Pension Assets, Beginning of Year	844,882
Pension Assets, End of Year	\$ 838,933

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 5: RETIREMENT PLAN (continued)

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2006 is \$439,879,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2006 is \$461,665,000.

NOTE 6: FEDERAL AND STATE GRANTS

From time to time the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 7: RISK MANAGEMENT

The CSA is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 7: RISK MANAGEMENT (continued)

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.7 million at June 30, 2006.

The total claims liability of \$127.2 million reported at June 30, 2006 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2005 and 2006 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	End of Fiscal Year Liability (in thousands)
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

**County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Notes to Financial Statements
June 30, 2006**

NOTE 8: TRANSFERS IN/OUT

Interfund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. At June 30, 2006, the District made the following interfund transfers in and out:

	<u>Transfers in:</u>
	Governmental
	Activities
	<u>General (SRS)</u>
<u>Transfer out:</u>	
Business-type activities -	
Ambulance	<u><u>\$ 647,713</u></u>

NOTE 9: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIIIB to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the District during the 2005-2006 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

NOTE 10: CONTINGENCIES

As of June 30, 2006, in the opinion of the District Administration, there are no outstanding matters, which would have a significant effect on the financial position of the District.

Required Supplementary Information
County of San Bernardino Special Districts
Yucca Valley Fire Protection District
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2006

	SPECIAL REVENUE FUND			
	General (SRS)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,978,258	\$ 2,978,258	\$ 3,163,194	\$ 184,936
Other taxes	91,000	91,000	239,410	148,410
State assistance	52,000	52,000	51,387	(613)
Federal assistance	-	-	13,992	13,992
Service fees	47,040	47,040	36,544	(10,496)
Other	31,000	31,000	48,532	17,532
Total Revenues	3,199,298	3,199,298	3,553,059	353,761
EXPENDITURES				
Salaries and benefits	3,693,896	3,637,571	3,553,964	83,607
Services and supplies	518,543	650,831	708,807	(57,976)
Capital outlay:				
Vehicles	80,000	76,634	76,633	1
Structures and improvements	-	27,756	-	27,756
Reserves and contingencies	57,493	-	-	-
Total Expenditures	4,349,932	4,392,792	4,339,404	53,388
Excess of Revenues Over (Under) Expenditures	(1,150,634)	(1,193,494)	(786,345)	407,149
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1,015	1,015
Transfer in	1,063,893	1,106,753	1,102,568	(4,185)
Transfer out	(143,358)	(143,358)	(143,358)	-
Total Other Financing Sources (Uses)	920,535	963,395	960,225	(3,170)
Net Change in Fund Balance	\$ (230,099)	\$ (230,099)	173,880	\$ 403,979
Fund Balance - beginning			252,560	
Fund Balance - ending			\$ 426,440	